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FIRST COUNTRY COOPERATION FRAMEWORK FOR THE RUSSIAN FEDERATION (1997-1999)

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INTRODUCTION

1. Building on the early initiatives of UNDP the first country cooperation framework (CCF) for the Russian Federation covers the period 1997-1999. It describes the approach followed and the programmes selected by the Government where UNDP can foster sustainable human development (SHD), particularly those relating to democratic governance, sustainable livelihood (human development and poverty alleviation) and environmental management. The CCF preparations involved representatives of the Government, RBEC, the Moscow Programme Management Unit (PMU), United Nations specialized agencies, other donors and a number of non-governmental organizations (NGOs). A three-year time-frame is envisaged since this corresponds to the period of the target for resource assignment from the core (TRAC) line 1.1 allocation for the Russian Federation and is appropriate for the Government and UNDP, given the rapidly evolving requirements of the country.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Since 1991, the Russian Federation has been undertaking the substantial task of building the infrastructure required for the transition to a democratic society and a market economy. The introduction of broad economic reforms has not been without increased hardship for large sections of the population. These changes have drastically affected the provision of health, social and all other public services. Furthermore, there has been an increase in unemployment as a result of the closure of many former state-owned industries, which has caused an overall decline of household income. The crisis of public funding for these services and the hardships of the transition have contributed to a reduction in the life expectancy of males from 64.8 years in 1988 to 58.3 years in 1995, and of females from 74.4 years to 71.6 years, and a decline in birth rates and population growth. The number of people living in poverty has increased. Coupled with high inflation, this has severely affected the elderly and those dependent upon a single income.

3. The comprehensive reforms launched in January 1992 ushered in a fundamental, far-reaching process of restructuring through economic liberalization as well as a period of economic decline of unprecedented proportions, characterized by an estimated fall in gross domestic product (GDP) of about 53 per cent since 1993. As a result, the non-state sector has gained momentum and competition is gradually becoming a factor in the Russian economic environment. The estimated volume of informal business activity has increased rapidly, comprising at least 20 per cent of the officially reported GDP. While this has provided alternative sources of employment, the unregistered economic activity is not taxed. The situation has been aggravated by the very high levels of capital outflow in the economy, which has not enabled the country to reach the levels of inward investment and capital accumulation needed for sustainable economic growth. Substantial difficulties have been experienced in generating tax revenues to pay for expenditures in the public sector (public enterprises, armed services, etc.) and social sectors (health, education, social protection).

4. With respect to some of the main components of SHD in the area of governance and the establishment of an appropriate enabling environment for growth, progress has been made in establishing democratic institutions and practices, revising legislation, and restructuring government bodies and mechanisms. But further time is required to implement fully a long-term process of administrative reform. The number of poor and relatively poor people has increased, a situation that has been aggravated by the influx of ethnic Russians from the former republics of the Soviet Union. The possibilities of the population's enjoyment of sustainable livelihoods have also been severely limited, because of increased unemployment, inflation and falls in per capita income, all of which have increased personal and collective economic insecurity. The impact of these trends has been particularly felt by vulnerable groups, particularly women, whose situation, although somewhat cushioned by an active informal sector and economy, has tended to deteriorate in terms of employment, participation in senior levels of government, incomes, and access to social services. In the area of the environment, while the closure of many highly polluting industrial plants has reduced levels of air and solid waste emissions, the Russian Federation has been left with many environmental problems as a result of the continued use of outdated and inappropriate planning, management and technology, and the dumping of industrial, energy and military waste without adequate consideration for environmental requirements. The net result of the above trends is that the human development index (HDI) for the country has declined about 15 per cent from 0.92 in 1990 to 0.804 in 1995, which is a fall in the global ranking from 31 to 57.

5. To address the above challenges, the Government is giving new impetus to its reform process. The success of these measures will be crucial for the establishment of an enabling environment for development, and for the long-term impact of external assistance, including the UNDP programme.

II. RESULTS AND LESSONS OF PAST COOPERATION

6. With the tremendous transition challenges of the country and the limited core resources available to UNDP, cooperation in the first country programme has been mainly of a catalytic nature, contributing to the strengthening and the creation of managerial and institutional capacities to support the economic, social and democratic transformations, especially in those regions receiving little or no assistance from other external sources. Initially, UNDP established an umbrella project and a Programme Management Unit and initiated activities in two main areas of concentration. Approximately $2.5 million in UNDP core funds was disbursed and some $0.6 million in government cost-sharing was mobilized, together with $0.9 million from Capacity 21.

7. An important step in the development of the programme was for UNDP to fund a team of national experts for the preparation of Russia's National Human Development Reports in 1995 and 1996. This team has also been instrumental in helping to identify areas that could be addressed with UNDP support. This resulted, for example, in the Barents Sea Regional Sustainable Programme, financed by Capacity 21, and in support to the indigenous peoples in the Sakha Republic (Yakutia) to improve their quality of life and income-earning potential. The latter project is partly funded by the regional or oblast administration.

8. In the area of capacity-building, assistance has been provided, with the cooperation of the Government of France, to the Russian Parliament (Duma and Council of Federation) in the establishment of procedures that will facilitate the democratic process, and in the training of personnel through study tours. Linkages have been developed with the regional project for democracy, governance and participation. Also, assistance has been provided in conducting negotiations on the accession of Russia to the World Trade Organization (WTO). Feasibility studies have been prepared on the management of the Moscow transportation infrastructure, as well as on the conversion of former military production facilities for aircraft turbines that will, it is hoped, lead to future joint ventures for producing self-contained stand-alone power plants. In order to contribute to addressing the main source of mortality in the health sector and, in due course, to establish a centre of excellence in cardiovascular surgery, especially pediatric surgery, training has been initiated for Russian surgeons and medical personnel with United States medical institutions. The follow-up to these activities is to be fully funded by additional, non-UNDP resources.

9. Lessons learned from the above are first that, even with small resources, UNDP can have a significant impact provided that its support is well focused. Second, because of the impact of UNDP activities, additional resources can be mobilized. Third, to ensure sustainability, capacity-building has to be an important part of UNDP support, for example: the training of Government staff in Parliamentary procedures; the conversion of military infrastructure to peaceful and environment friendly purposes; urban transport planning and management in Moscow; and small- and medium-scale enterprises (SME) development. Fourth, once the Government improves its knowledge of UNDP operating procedures and the programme approach, coordination and resource mobilization will become easier goals to pursue. Fifth, UNDP has been requested to play an active role in coordination by providing assistance to mobilize additional financial resources into well-focused projects and programmes.

III. PROPOSED STRATEGY AND THEMATIC AREAS

10. At the request of the Government, a variety of pilot initiatives were undertaken in different regions of the country during the first country programme. The Government has requested UNDP to expand these initiatives and to replicate them in other regions. It is expected that, through the implementation of a limited number of effective pilot projects, substantial additional resources will be forthcoming.

11. With the above principles and the limited UNDP resources in mind, UNDP cooperation will focus on the following three thematic areas: (a) democratic governance; (b) sustainable livelihoods; and (c) environmental management.

12. These are to be promoted through: (a) policy dialogue, to ensure a sustainable human development (SHD) approach; (b) the programme approach, to achieve coordination and enhanced potential for resource mobilization; (c) capacity-building, by maximizing the use of national expertise in project implementation; and (d) close linkages with RBEC regional projects.

A. Democratic governance

13. Democracy, governance, and participation. The Government has indicated its interest in the input that can be provided by the regional programme in the following areas: (a) legislative - training of officials and Deputies of the Russian Parliament in Parliamentary procedures and management; (b) executive - introducing capacity-building in all UNDP activities supporting public administration reform and decentralization and continuing assistance in the negotiating process for the accession to WTO; (c) judicial reform, crime prevention and control - by helping introduce new provisions of procedural and judicial legislation; and (d) human rights - through support to the creation of the Office of the Commissioner on Human Rights and the establishment of a pilot university ombudsman.

14. External resources management and coordination. Support will be provided to the Government to improve: (a) national coordinating mechanisms and procedures; (b) the transparency, efficiency and accuracy of information, of financial accounting and auditing, and evaluation capacities; (c) the design, management and funding of disaster relief to enhance national capacities for humanitarian assistance coordination, emergency response and rehabilitation at both the federal and regional levels; and (d) the expertise and advisory services through the technical cooperation among developing countries (TCDC) modality, particularly in the area of development and adaptation of modern technology and reform of the social sector.

15. Participation of civil society, women and non-governmental organizations. Support will be provided to the Government in the establishment of pilot women NGO management centres which will help to strengthen NGO capacities to advocate for gender issues and mainstream them. This will also be supported by the RBEC regional project on gender in development and through the establishment of a pilot resource centre for the training and institutional strengthening of NGOs.

B. Sustainable livelihoods

16. Human development advocacy. The Government has requested UNDP to continue the support for the National Human Development Reports (NHDRs) and to link these reports with longer-term capacity building in human development monitoring and analysis. The inputs from the UNDP Poverty Strategy Initiative (PSI) will provide the basis to assist in the establishment of a poverty monitoring system.

17. Sustainable development of the Northern Territories (Arctic Coastal Zone and the Sakha Republic (Yakutia). The Government has requested UNDP support to assist in the planning and review of the sustainable development and environmental protection of the fragile and sparsely populated northern territories. Also, it is proposed to continue to support the ongoing sustainable development programme in the Sakha Republic, which will include the promotion of employment for women and the utilization of reindeer products. Funding for a trust fund has been received from the Sakha Regional Administration to initiate this programme.

18. Social funds. The Government has requested UNDP to assist in the design of social fund schemes for those regions that are the most affected by the structural transformation. Initially, it is proposed to integrate a micro-finance scheme, small- and medium-size enterprises support and a public work scheme for a selected region.

19. Umbrella project for advisory services. The Government has also requested UNDP to provide national and international expertise to assist in accelerating and enriching the reform process in two national priority areas: (a) small and medium enterprises development for employment promotion through (i) support to the creation of pilot and catalytic initiatives for the establishment of small business incubators; and (ii) support to the industrial rehabilitation of some selected regions experiencing a severe fall in production leading to increased unemployment; (b) health-care capacity-building and management. Support for a pilot training module in health-care management is required, including an HIV/AIDS prevention and control programme (with the United Nations Joint and Cosponsored Programme on HIV/AIDS (UNAIDS)), and a drug abuse prevention and control programme (with the United Nations International Drug Control Programme (UNDCP)).

C. Environmental management

20. The Government has requested UNDP to continue its support to projects that aim at ensuring that future development plans fully integrate environmental considerations. Therefore, assistance will be provided in the context of a number of regional planning and institutional capacity-building initiatives.

21. Arctic ecosystem and biodiversity protection. Support to the Northern Territories in the formulation of a regional sustainable development programme (Capacity 21, Global Environment Facility (GEF)). This assistance includes capacity-building of local, regional and federal institutions to plan sustainable socio-economic development with emphasis on the rehabilitation of ecosystems and the protection of biodiversity. It is important to note that GEF funding is meant to cover incremental costs, i.e., the costs of measures to achieve agreed global environmental benefits. GEF assistance is tentatively planned for the Kamchatka Peninsula, the Altay Mountains, Lake Baykal, the Barents and Kara Seas, the Sea of Okhotsk and the Northeastern Oblasts, including Magadan and Yakutia.

22. Energy efficiency and conservation. In the field of clean energy, a feasibility and marketing study is under way to convert gas turbine engines for use as Combined Heat and Power units for small towns and housing complexes in Bashkortostan. Related to this, a UNDP-supported international conference on military conversion matters will take place in 1997 in Nizhny Novgorod. In addition, a UNDP (GEF) project to improve energy efficiency and conservation in residential buildings in Vladimir is in the final approval stage. The latter project is being carried out in cooperation with World Bank activities in this area.

23. Environmental planning and management. Support will be provided to the Government in carrying out: (a) a feasibility study to restructure Moscow's

transport infrastructure to improve planning to respond to increasing traffic pollution and congestion; (b) an environmental action plan and institutional strengthening of the Ministry of Environment of the Republic of Bashkortostan, which has the largest oil transformation industrial complex in the RF; (c) water-quality monitoring in the Briansk Oblast and evaluation and purification of water reservoirs in the region affected by the Chernobyl disaster; and (d) the creation on a pilot basis of a protected national park in Nizhny Novgorod, linked to a World Bank-supported GEF biodiversity project.

24. It is expected that the impact of the above programme will contribute to improve the quality of life in the different regions mentioned. For example, it is foreseen that the Murmansk Barents Sea/Arctic Ocean area will have improved economic prospects while major environmental damage will be limited. Furthermore, economic revitalization and increased employment is anticipated in Bashkortostan as a result of the maintenance and expansion of production in former military factories. Finally, Moscow's traffic circulation, pollution and congestion should be reduced through its improved traffic planning. In this connection, the Government has expressed its interest in technical support on sustainable energy initiatives that could be provided by the Energy and Atmosphere Programme (part of the UNDP Sustainable Energy and Environment Division).

IV. MANAGEMENT ARRANGEMENTS

25. With the establishment of a UNDP country office, to succeed the existing Programme Management Unit, the following arrangements are foreseen for implementation of the CCF.

26. Execution and implementation. National execution will progressively become the principal modality for executing UNDP-assisted projects in the Russian Federation. To this end, further training will be provided on national execution, drawing on the experience of other country offices. Also, diverse advisory, technical and management services of United Nations specialized agencies will continue to be required.

27. Monitoring, review and reporting. All projects will be subject to regular UNDP monitoring and evaluation procedures. Particular attention will be given to establishing benchmarks, success criteria and evaluation of impact for UNDP cooperation.

28. Coordination. The Government has indicated its interest in the support that UNDP can supply in coordination efforts, including the coordination of the United Nations system, and in the promotion of exchange of information and experiences.

29. Resource mobilization. In view of the limited core resources available (estimated at $3 million, including carry-over), particular attention will be paid to the mobilization of additional resources, from both national and regional administrations (counterpart contributions), and international sources. Tentative cost-sharing projections of about $10.5 million are envisaged in the resource mobilization target table, and it is expected that, in due course, UNDP

core resources will be more than matched by such contributions. These additional resources should be complemented by future funding from sustainable development funds (GEF, Capacity 21), and other funds (the Poverty Strategy Initiative, UNAIDS, UNDCP, etc.). Government cost-sharing will be provided mostly through project cost-sharing and trust funds as well as through the funneling of grants and loans from other bilateral and multilateral donors. This brings the total potential available funds to an estimated $18.5 million.

30. Public information and media strategy. In close coordination with the United Nations Information Centre in Moscow and representatives of United Nations specialized agencies, particular attention will be devoted to advocacy and awareness of SHD.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR THE RUSSIAN FEDERATION (1997-1999)
(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	492	
TRAC 1.1.1	513	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources Poverty Strategy Initiative	1 702 82	In line with decision 95/23, paragraph 19 TSS-1 (52) and SPR (30)
SPPD/STS	210	
Subtotal	2 999[a]	
NON-CORE FUNDS		
Government cost-sharing	3 500	Subject to confirmation on basis of matching funds
Sustainable development funds GEF Capacity 21	 5 000 2 000	
Third-party cost-sharing	7 000	
Funds, trust funds and other Poverty Strategy Initiative UNAIDS	 68 300	 To be confirmed
Subtotal	17 868	
GRAND TOTAL	20 867[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; TRAC = target for resource assignment from the core; SPPD = support for policy and programme development; STS = support for technical services; GEF = Global Environment Facility; UNAIDS = UN/AIDS Prevention and Control Programme.